

November 2004



North Dakota REV-E-NEWS

**From Pam Sharp, Director
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October revenue collections exceeded the legislative forecast by \$6.4 million, and fell short of the revised projections by a mere \$530,448. As of the end of October, revenue collections were \$47.2 million ahead of the legislative forecast and \$8.1 million ahead of the preliminary forecast prepared last summer.

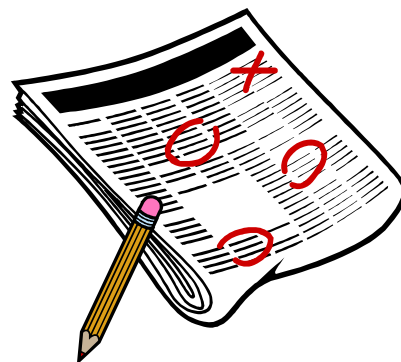
Economy.com believes the economic recovery has finally evolved into an economic expansion. Real GDP, incomes, profits and employment are now near or above their pre-recession peaks. The economy's prospects through 2005 are very good. Assuming energy prices will moderate a bit further, real GDP growth next year should at least match the economy's potential of just over 3 percent.

The national economy has numerous sources of growth. Consumers continue to do their part, benefiting from the strengthening job market. Business investment spending remains strong and businesses are also rebuilding inventories. Export growth remains solid and the strong global

economy and the U.S. dollar provide support.

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North Dakota's non-seasonally adjusted unemployment rate of 2.6 percent for September was the lowest in the nation. The national unemployment rate in September was 5.4 percent. Nine North Dakota counties had September unemployment rates below 2.0 percent. Of the state's 53 counties, 43 recorded September unemployment rates below 4.0 percent.



Oil Activity

**Hope you had a
Nice Thanksgiving!!**



Oil production in North Dakota averaged approximately 85,915 barrels per day in September, compared to August's production of 86,190 barrels per day. Currently, there are 22 oil rigs drilling in North Dakota compared to 18 one year ago.

The current Tesoro posted price of oil in North Dakota is approximately \$43 per barrel.

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to the Legislative Forecast
2003-05 BIENNIUM
October 2004

| REVENUES AND TRANSFERS | FISCAL MONTH | | | | BIENNIUM TO DATE | | | |
|--------------------------------------|------------------------------------|-------------------|------------------|----------------|------------------------------------|----------------------|--------------------|----------------|
| | March 2003 <u>Leg. Forecast</u> | <u>Actual</u> | <u>Variance</u> | <u>Percent</u> | March 2003 <u>Leg. Forecast</u> | <u>Actual</u> | <u>Variance</u> | <u>Percent</u> |
| Sales Tax | 29,427,000 | 31,595,099 | 2,168,099 | 7.4% | 440,247,000 | 468,191,444 | 27,944,444 | 6.3% |
| Motor Vehicle Excise Tax | 6,017,000 | 5,563,562 | (453,438) | -7.5% | 85,255,000 | 87,287,921 | 2,032,921 | 2.4% |
| Individual Income Tax | 16,533,000 | 14,646,626 | (1,886,374) | -11.4% | 277,312,000 | 277,143,907 | (168,093) | -0.1% |
| Corporate Income Tax | 2,423,000 | 6,595,058 | 4,172,058 | 172.2% | 48,312,000 | 47,648,143 | (663,857) | -1.4% |
| Insurance Premium Tax | 100,000 | 58,107 | (41,893) | -41.9% | 31,062,000 | 32,853,623 | 1,791,623 | 5.8% |
| Financial Institutions Tax | 2,423,000 | 45,396 | (2,377,604) | -98.1% | 2,600,000 | 2,741,005 | 141,005 | 5.4% |
| Oil & Gas Production Tax | 1,754,000 | 3,560,607 | 1,806,607 | 103.0% | 29,378,000 | 38,828,993 | 9,450,993 | 32.2% |
| Gaming Tax | 928,000 | 850,409 | (77,591) | -8.4% | 15,328,000 | 14,275,543 | (1,052,457) | -6.9% |
| Lottery | | | | | 280,000 | 1,431,000 | 1,151,000 | 411.1% |
| Interest Income | 446,000 | 290,444 | (155,556) | -34.9% | 7,436,000 | 2,977,522 | (4,458,478) | -60.0% |
| Oil Extraction Tax | 1,184,000 | 1,973,357 | 789,357 | 66.7% | 19,895,000 | 21,323,276 | 1,428,276 | 7.2% |
| Cigarette & Tobacco Tax | 1,516,000 | 1,627,164 | 111,164 | 7.3% | 25,096,000 | 26,699,354 | 1,603,354 | 6.4% |
| Departmental Collections | 928,000 | 2,881,687 | 1,953,687 | 210.5% | 36,959,109 | 42,750,795 | 5,791,686 | 15.7% |
| Wholesale Liquor Tax | 504,000 | 463,458 | (40,542) | -8.0% | 7,872,000 | 7,954,417 | 82,417 | 1.0% |
| Coal Conversion Tax | 1,955,000 | 2,026,151 | 71,151 | 3.6% | 31,723,000 | 31,847,365 | 124,365 | 0.4% |
| Mineral Leasing Fees | 300,000 | 654,427 | 354,427 | 118.1% | 3,165,000 | 4,984,169 | 1,819,169 | 57.5% |
| Bank of North Dakota-Transfer | | | | | 30,000,000 | 30,000,000 | - | 0.0% |
| State Mill & Elevator-Transfer | | | | | | | | |
| Gas Tax Admin-Transfer | 174,525 | 174,525 | - | 0.0% | 1,047,150 | 1,047,150 | - | 0.0% |
| Other Transfers | | | - | | 36,410,000 | 36,626,541 | 216,541 | 0.6% |
| Total | 66,612,525 | 73,006,077 | 6,393,552 | 9.6% | 1,129,377,259 | 1,176,612,168 | 47,234,909 | 4.2% |
| Federal Fiscal Relief Payments | | | | | | 50,000,000 | 50,000,000 | 100.0% |
| Federal Fiscal Relief -Medicaid FMAP | | | | | | 6,456,581 | 6,456,581 | 100.0% |
| Total Revenues and Transfers | 66,612,525 | 73,006,077 | 6,393,552 | 9.6% | 1,129,377,259 | 1,233,068,749 | 103,691,490 | 9.2% |

COMPARISON TO PREVIOUS BIENNIUM REVENUES
2003-05 BIENNIUM
October 2004

| REVENUES AND TRANSFERS | FISCAL MONTH | | | | BIENNIUM TO DATE | | | |
|---------------------------------------|-------------------|-------------------|------------------|--------------|----------------------|----------------------|--------------------|--------------|
| | September 2002 | September 2004 | Variance | Percent | 2001-03 | 2003-05 | Variance | Percent |
| Sales Tax | 30,135,937 | 31,595,099 | 1,459,162 | 4.8% | 429,151,523 | 468,191,444 | 39,039,921 | 9.1% |
| Motor Vehicle Excise Tax | 5,054,905 | 5,563,562 | 508,657 | 10.1% | 81,699,600 | 87,287,921 | 5,588,321 | 6.8% |
| Individual Income Tax | 16,773,974 | 14,646,626 | (2,127,349) | -12.7% | 258,519,605 | 277,143,907 | 18,624,302 | 7.2% |
| Corporate Income Tax | 2,672,115 | 6,595,058 | 3,922,944 | 146.8% | 47,397,989 | 47,648,143 | 250,154 | 0.5% |
| Insurance Premium Tax | 160,688 | 58,107 | (102,581) | -63.8% | 26,554,064 | 32,853,623 | 6,299,559 | 23.7% |
| Financial Institutions Tax | 129,778 | 45,396 | (84,382) | -65.0% | 3,111,836 | 2,741,005 | (370,831) | -11.9% |
| Oil & Gas Production Tax | 1,627,475 | 3,560,607 | 1,933,132 | 118.8% | 26,876,441 | 38,828,993 | 11,952,551 | 44.5% |
| Gaming Tax | 1,782,866 | 850,409 | (932,457) | -52.3% | 18,578,147 | 14,275,543 | (4,302,604) | -23.2% |
| Lottery | | | | | | 1,431,000 | 1,431,000 | 100.0% |
| Interest Income | 224,969 | 290,444 | 65,475 | 29.1% | 6,275,857 | 2,977,522 | (3,298,335) | -52.6% |
| Oil Extraction Tax | 1,118,872 | 1,973,357 | 854,485 | 76.4% | 14,749,521 | 21,323,276 | 6,573,756 | 44.6% |
| Cigarette & Tobacco Tax | 1,745,948 | 1,627,164 | (118,785) | -6.8% | 27,180,478 | 26,699,354 | (481,124) | -1.8% |
| Departmental Collections | 998,218 | 2,881,687 | 1,883,469 | 188.7% | 41,885,491 | 42,750,795 | 865,305 | 2.1% |
| Wholesale Liquor Tax | 438,408 | 463,458 | 25,050 | 5.7% | 7,419,628 | 7,954,417 | 534,788 | 7.2% |
| Coal Conversion Tax | 1,944,545 | 2,026,151 | 81,606 | 4.2% | 31,205,042 | 31,847,365 | 642,323 | 2.1% |
| Mineral Leasing Fees | 326,317 | 654,427 | 328,109 | 100.5% | 4,371,813 | 4,984,169 | 612,356 | 14.0% |
| Bank of North Dakota-Transfer | | | | | 30,000,000 | 30,000,000 | | 0.0% |
| State Mill & Elevator-Transfer | | | | | | | | |
| Gas Tax Admin-Transfer | 170,424 | 174,525 | | 0.0% | 1,022,544 | 1,047,150 | 24,606 | 2.4% |
| Other Transfers | 13,189 | | (13,189) | -100.0% | 84,438 | 36,626,541 | 36,542,103 | 100.0% |
| Total | 65,318,630 | 73,006,077 | 7,687,447 | 11.8% | 1,056,084,017 | 1,176,612,168 | 120,528,151 | 11.4% |
| Federal Fiscal Relief Payments | | | | | | 50,000,000 | 50,000,000 | 100.0% |
| Federal Fiscal Relief - Medicaid FMAP | | | | | | 6,456,581 | 6,456,581 | 100.0% |
| Total Revenues and Transfers | 65,318,630 | 73,006,077 | 7,687,447 | 11.8% | 1,056,084,017 | 1,233,068,749 | 176,984,732 | 16.8% |

Revenue Variances

The following comments on revenue variances are based on October revenue collections compared to the 2003 legislative forecast.

September revenue collections exceeded the legislative forecast by \$6.4 million or 9.6 percent, excluding the impact of the \$56.5 million in federal fiscal relief payments received by the state and deposited into the general fund.

Compared to the preliminary revenue forecast that was completed in August 2004, October revenue collections fell short of the monthly projection by \$530,448 or 0.7 percent.

Sales tax collections in October exceeded the legislative monthly projection by \$2.2 million or 7.4 percent. October marks the fifth consecutive month that sales tax collections have significantly exceeded monthly revenue projections. Biennium-to-date collections are now \$28.0 million or 6.3 percent ahead of projections.

Motor vehicle excise tax collections fell behind the monthly projection by \$453,438. Biennium-to-date collections are now \$2.0 million or 2.4 percent ahead of projections.

Individual income tax collections fell behind the monthly projection by \$1.9 million or 11.4 percent. This is clearly a timing issue. The shortfall for the month of October was fully

restored in the first month of November. Biennium-to-date collections are \$168,093 below projections.

Corporate income tax collections exceeded the monthly projection by \$4.2 million, while biennium-to-date collections are now \$663,857, or 1.4 percent behind projections.

Oil and gas production tax collections exceeded the legislative forecast by \$1.8 million while oil extraction tax collections exceeded the forecast by 789,357. These strong collections are clearly due to the high price of oil.

Departmental collections exceeded projections by more than \$1.9 million largely due to the Insurance Commission depositing \$1.7 million from the Insurance Regulatory Trust Fund. The Insurance Commissioner is statutorily required to deposit funds in excess of \$1.0 million at the end of each fiscal year.

Comments or Questions???

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